



**Wealth Management
Dominion Securities**

Suite 3200 Royal Centre
1055 West Georgia Street
Vancouver, BC V6E 3P3

Telephone: (604) 257-7380
Fax: (604) 235-9950

www.philipflostrand.com



Philip Flostrand
B.A. (Econ.), CIM

philip.flostrand@rbc.com

INSIGHTS & OBSERVATIONS

YOUR GUIDE TO FINANCIAL MARKETS AND INVESTMENTS

July 2023

Welcome back. In our October edition last year we included an article on the mood of investors and markets. At the time stocks had sold off sharply and were in fact making their low for the year. Many investors clearly were selling as growing recession forecasts and pessimism climbed daily.

The point of the article was how investor sentiment or mood can be a valuable tool when it reaches extremes. Greatly oversimplifying, when 'everyone' is selling *after* markets have already declined and the outlook is expected to become much worse, we should be buying.

This was the case nine months ago and stocks are now sharply higher over this stretch. Having said that however we are still feeling considerable nervousness from many investors and even after this rebound, Canadian stock market indices are today at levels they first touched two years ago.

So although sentiment isn't terrible, we are now seeing enough negativity to become more positive on some stocks which have drifted lower in the past few years. Many of them are sensitive to rising interest rates, and these include conservative sectors like phone companies, pipelines and even the banks.

Rising interest rates have made GICs and bonds as attractive as they've been in many years, so the higher dividend paying conservative stocks have fallen slightly out of favor, making them worth considering now.

This month's first article linked on page two delves further into our mood as a society, how it is affected by technology, and the tremendous importance of keeping things in perspective.



Markets are approaching their traditional summer slowdown and even though many historical yardsticks haven't worked in the past few years, it would be no surprise if investors take a summer break soon. The big question for everyone is how high interest rates need to go to squelch inflation, and whether we're facing a recession. The evidence is leaning toward a slowdown but not much more, and slightly higher rates later this summer.

As we've seen, better to let the numbers play out and then react, especially considering how distorted economies and markets have been in recent years.

Have a great month, and take care.

Philip

July's Articles

Optimism remains scarce, and the general mood continues to be on the negative side these days. The media is always looking for the worst stories to present, but even the average person has adopted a more fatalistic view today.

The pandemic is certainly a cause of this shift toward a darker outlook, and so too is the growing disappointment with our political leaders during the past 10-20 years. Finally human nature makes us all more attracted to negative news, so that's what we get from the media and entertainment industries. Good news simply isn't considered news anymore.

In the article linked below by **Saul Zimet** writing at HumanProgress.org, we get a closer look at change and how its acceleration also influences our mood. In our lifetimes we've experienced more change than a generation before us, and far more than the generation before them. This trend has been in place particularly over the last two centuries when change really began picking up speed.

It seems probable our kids and grandkids will face still greater changes, even though it is hard to know what that will look like decades from now.

Using human nature as an indicator of the future, my observation of us suggests the changes will obey the following rule: 'We always get what we want, and it always comes with unintended consequences.'

This truism has many pitfalls and risk, however it describes our track record of impressive progress which seems likely to continue. Investors and all of us should take confidence from this reality, which can help put today's worries into an appropriate longer term perspective.

<https://www.humanprogress.org/do-human-progress-trends-justify-the-status-quo/>

Related to the spirit of the first article, in the piece linked below we find a deeper dive into how we decide what is true, and how we make decisions using – and despite – the facts.

Author **Morgan Housel** has appeared in this newsletter in the past, and his insights are always intriguing and well explained.

Good investors always understand the many biases in our human nature, and have learned to overcome their own while benefiting from the mistakes made by others. As the article notes, our memories themselves are biased, and a group can go through an event together then emerge with differing explanations, causes, and consequences based on the exact same experience!

<https://collabfund.com/blog/why-you-believe-the-things-you-do/#:~:text=I%20remember%20reading%20an%20article,The%20father%20agreed.>

Our Summer Plans

With each of us planning time off soon we wanted to update you as to who is away from the office later this summer. First, **Charlie** will be off from July 24th to the 28th. Next, **Yuki** will be away from August 9th to Sep 1st. Last, I will be in Turkey from Sept 11th to the 28th.

WHAT THEY SAID

"It is impossible to progress without change, and those who do not change their minds cannot change anything."

George Bernard Shaw